

PORT COMMISSION MEETING – November 10, 2004

The Port of Port Townsend Commission met in regular session at the Point Hudson Marina Room, Port Townsend, WA.

Present: Commissioners – Beck, Pirner and Sokol
Executive Director – Crockett
Deputy Director – Pivarnik
Operations Manager – Radon
Auditor – Taylor
Attorney – Winters

I. CALL TO ORDER:

The meeting was called to order at 1:00 PM.

II. APPROVAL OF AGENDA:

Upon motion of Commissioner Sokol, the Agenda was unanimously approved as amended with the following additions:

VI. OLD BUSINESS

B. County Planning Commission Regarding Jefferson County International Airport

VII. NEW BUSINESS

B. Identify WPPA Trustee and Alternate

III. CONSENT AGENDA:

A. Approval of Minutes – October 27, 2004

B. Approval of Warrants:

#31191 through #31215 in the amount of \$26,592.14

#31216 through #31225 in the amount of \$103,475.27

#31226 through #31276 in the amount of \$28,336.59

C. Resolution No. 427-04 – Authorizing Application for IAC Grant Funding

Upon motion of Commissioner Pirner, the Consent Agenda was unanimously approved

IV. PUBLIC COMMENTS (not related to Agenda): None

V. PUBLIC HEARING ON 2005 OPERATING BUDGET & 2005 RATES AND POSSIBLE ADOPTION OF BUDGET RESOLUTIONS

At 1:03 PM, Commissioner Beck opened the hearing and reminded attendees of the Port's public hearing procedures.

Mr. Crockett reviewed that there have been five or six Commission meetings and workshops at which there was discussion of the 2005 budget and opportunities for public comment. Given the restrictions in Jefferson County under which the Port is operating and trying to care for the Port's aging facilities and nurture capital projects, he believes it is a good budget. He made available to the public copies of the detailed budget, Staff's budget briefing, and the potential proposed moorage rates and other fees.

Mr. Taylor gave Staff's presentation of the budget documents, noting that the most current version is identical to that presented on October 27th except for minor edits to the budget assumptions and a small correction to the uses of funds pie chart. Pages 14-15 had been inadvertently omitted from today's copies of the main budget document, but were included in the Draft Operating Budget and Cash Flow Analysis. A net income of \$280,800 from projected revenues of \$4,203,448 represented a \$120K increase in net income over the 2004 budget. Following an explanation of the breakdown in revenue, he reviewed the expense line items that have changed from last year's budget: staffing, contract services, update of the Boat Haven Market rate rent analysis, operating supplies, debt service, and transfers to reserve funds. There was also a review of budget graphs of revenues, expenses, sources and uses of funds and uses of property tax revenues.

The cash flow analysis showed \$749,636 in potential funds available for capital projects in 2005. The progressive moorage rate plan, which is not a square foot pricing method,

was explained as being more equitable. In researching other marinas that price this way, they found that the difference in the linear foot rate between small (20 ft.) and large slips (50 ft.) was 40-60%. Looking at what the Port felt was mid-range, Staff arrived at this three-year phased approach. When complete, the plan would result in a 6% spread between a 20-25 ft. slip, 12% between 25-30 ft., another 12% between 30-40 ft., and another 12% between 40-50 ft., adding up to a cumulative 48% spread between the smallest and largest slips. He then explained the disparity in beams for the same length of slip, due to the age, and various construction dates in the Point Hudson Marina.

At 1:30 PM, the following public comments were given:

Tom Fairhall:

He expressed his opposition to the proposed progressive moorage rate structure. While the rationale given was to more equitably charge for the square foot for real estate that the larger boats use, it seems grossly unfair to those in the 45-50 ft. slips. The capital costs for maintaining the docks for the 20-foot slips are higher because they are more closely packed together. The larger boats are paying more for moorage but there is less dock there. It is unfair to apply Seattle moorage policies to Port Townsend. He recommended going with the straight linear foot moorage rate.

Tike Hillman:

In reviewing the 2003 economic development marine trades report, it appears the Port has created substantial marine trades. However, the cost of infrastructure (such as the 300-ton lift) should now be paying for itself. Instead it is still being subsidized by the marina tenants. The Port should look more closely at these activities that are not paying their way. While the cost of operations increase every year, he urged the Commission to hold this year's rate increase to the consumer price index (CPI) while considering how to get the 300-ton travel lift to produce – rather than use – revenue. If the Port were to take a vote on this increase among those it is impacting, it would likely get the same negative result as the City recently got with its proposed lift of the tax lid. Taxpayers are benefiting from this business venture at the expense of the moorage tenants. He complimented the budget presentation, but asked how the Port could make \$790K in spendable cash from a non-cash depreciation item.

Don Haviland:

While he is relatively new to Port Townsend and in mooring a boat at Boat Haven, he agrees, in theory, that excess revenues should support other Port functions. However, the moorage facilities are aging and deteriorating. The value to cost is tied to the condition of the moorage and makes it more or less desirable. The Port faces increasing liability exposure as the facility deteriorates. When recently securing a stern line, he pulled the cleat right out of the pier. As maintenance and repair expenses increase for some projects, money for supporting other functions would decrease. He recommended an accelerated moorage facility maintenance program. He is in agreement with the resolution language, which says there should be a dedicated fund for repair, maintenance, and replacement of capital facilities, which are a large asset. It would be prudent to increase property tax revenues to subsidize essential public facilities, which he thinks a case could be made that moorage tenants are supporting at this point.

Ken Mikkelsen:

As a 25-yr. moorage tenant with 45-ft. powerboat in a 50-foot slip, a 56.2% moorage increase is hard to swallow. Over the years, the Port's only positive revenue source has been moorage, which went to support nearly every other cost center at the Port. At times, even the rented buildings were losing money. He can understand the airport not generating a net cash flow because it is a transportation link that is generally supported by tax revenue, and over the years this has improved with much better management. There were promises in the past for creating funds for improvements and replacement of A&B docks. Until the Port got into financial difficulties, there used to be regular status reports of this fund. He urged the Commission to reconsider the disproportionate increases. He has a hard time believing that one 50-foot slip costs more to maintain and manage than two 25-ft. slips. When the Port previously expanded, it was explained that it was not the moorage patrons or the taxpayers' responsibility to fund the increase – the

cost centers would have to stand on their own. The property tax revenue (with assessed value) has since doubled. Many fisherman and local residents in Alaska talked about how much they used to enjoy bringing their boats to Port Townsend, but how it is getting too expensive. The Port would be wise not to price itself out of that market. Facilities are being improved in Alaska. He supports the Commission's efforts to improve the Port, but said that funding it is not just the moorage patrons' responsibility.

Ed Barcott:

While the vast majority of boaters are not opposed to the comparable rate hike, the two main questions that remain unanswered are how much revenue would this increase produce and for what specific purpose. He then referenced statements from 1984 Port minutes where the marine trades committee had recommended the financing of Port realignment program for requested capital improvements for A/B dock to be shared by all, while operational costs should be borne by consumers. He asked why the Port would have increased bond capacity at the expense of a minority group – the boaters. Why would the Commission in 1984 have approved a realignment program for A/B dock without a method of financing? He questioned that this was sound management or good business practice and challenged the current Commission to do a better job. He has lost count of the number of increases in moorage rates since 1984 and the work still has not been done. He reviewed County property tax revenue and timber tax figures that have steadily increased over time, yet moorage rates continue to rise. He continues to pay more for everything and has to cut corners to afford the same with a fixed income – and asked whether the Port could do the same. With the exception of the PUD, the State, County, Hospital, School District, Police, and Fire Department all want more and they all get more. He asked why the Port wants more if it is on the plus side of the ledger. The Port hides behind the mandate of economic development. Another perspective is whether the Port will try to keep its customers – boaters, moorage patrons, and Port users – that are already a part of this economic development. The Boat Haven should stay friendly and small, not richer and bigger. He urged the Commission to table the increase until further notice, re-form the user group of boaters, shipwrights, those interested in marine trades to help the Port sift through the problem and come up with recommendations everyone can support. The City of Port Townsend let their citizens vote on a tax increase; he would support a vote of the moorage patrons on any tax increase the Port proposes.

Tamara Conway:

In her 10-years as a Boat Haven resident her rates have doubled, with the only change seen being locks on the bathroom doors. At the time the first heavy haulout was proposed, moorage patrons asked who would pay for it and the Commission told them they would not. She would like to know where past moorage increases have gone. She urged the Commission to switch its meetings – holding the evening meeting in Port Townsend and the daytime meeting in Chimacum. She noted that voters recently voted out the two Republican County Commissioners, the Port Commission might want to pay attention to this and listen to the people.

John Jones:

Like others, he is relatively new to the Port and Port Townsend, but has owned property here for 14 years. He disagreed with progressive rates, which actually seem pretty aggressive. Other marinas have resident and nonresident rates; rates could be held down if out-of-county residents paid a little more.

Diana Talley:

As a local boat builder, she would be curious to know what the rate structures are in Port Angeles, where for several years, owners of commercial fishing boats have taken their business. She would like the Port to keep in mind that not only does the moorage rate structure negatively impact individual patrons, but when tenants leave it impacts businesses like hers. In remembering how the Port previously tried to work with commercial boats to keep them here, she urged the Port to again work with commercial fisherman. She hates to see them forced out of Port Townsend. As a former commercial fisherman herself she said those boats

are not luxury items, but tools.

Gloria Bram:

As an 11-year resident near the airport, she has taken an active interest in the Port. She has seen the results of deferred and unfunded maintenance and a reluctance of managers and Commissioners to take their fair share of property taxes and build in cost of living increases into all rental and lease agreements. Costs go up and if people could depend on their increases going up gradually each year, rather than substantially, they can budget for it. Consider catching up with a 2% increase for two years and then go back to what is allowed, taking some of the banked capacity a little at a time. She sees the rate increase as not as fair and equitable as she previously thought.

Sid Morrell:

The case has not been made why the rate increase is needed and how it would be used. He does not understand why the Boat Haven can have depreciation of \$180K and net income of \$415K, which results in net revenue of \$596K, yet nothing is set aside for a renovation fund. However, \$100K was set aside for Point Hudson renovation where there is a net loss. It appears the Port is in fine financial condition and the prior rate increases have still not resulted in a fund to support any improvements. He suggests tabling this increase until there could be more discussion with Port patrons. He added that some boats also take up more depth in the water and some more space in the air.

Tom Fairhall:

Although the budget pie charts showed sources and uses of revenue, there is not a description of the costs and outflow based on the particular Port functions, so that people can see how much moorage is subsidizing other functions. Staff corrected that this information was provided in pages 17-28 of the available packet.

Tike Hillman:

He said not enough expense detail was reviewed within the presentation.

There being no more comment the public hearing was closed at 2:10 PM.

Commissioner Sokol noted that the City had not asked citizens to vote on raising rates, but to lift the lid on property taxes. The Commissioners have already made a decision not to raise property taxes.

Commissioner Sokol moved to adopt Resolution 431-04, Year 2005 Property Tax Levy 2005 as written. The motion carried by a unanimous vote.

Commissioner Beck moved to table until the next meeting the following:

Resolution No. 430-04 – Adopting the Operating Rates for the Year 2005

Resolution No. 432-04 – Adopting the Year 2005 Operating Budget

Resolution No. 433-04 – Adopting the Progressive Moorage Rate Plan for 2005-2007, and Establishing Port Townsend Boat Haven Renovation Reserve Fund

During discussion of the motion, Commissioner Sokol acknowledged the expression of concerns about the proposed change in moorage rate structure and noted that the written resolutions communicate the Commission's intent of the progressive moorage rate structure and the establishment of a dedicated renovation reserve fund for Boat Haven. Commissioner Pirner commented that the suggested vote by moorage patrons on a rate increase might be helpful, but it should be put out to all County residents in order to find out how many want to vote on subsidizing moorage. **The motion carried by a unanimous vote.**

Linda Ferris, Gathering Place:

She updated the Commission on their renovation of the duplex they occupy at 430 Hudson. Their six part-time staff and volunteers serve about 27 participants, aged 17-70 with disabilities. Volunteers have kept the gardens, mitigated the creosote smell in the flooring, done window caulking, added a picture rail around each room, and repainted the kitchen and woodwork. On Friday, December 3, they hope to increase their production of dog biscuits. In thanks to the Port, she presented Staff and the Commission with their 2005 Port Townsend calendar featuring a nice painting of their space in Point Hudson. Mr. Crockett noted that the Port can give the "credit of the state," when it comes to the infirm or

indigent. The Port provides to the Gathering Place the facility rent free in exchange for building work and maintenance. Commissioners thanked Ms. Ferris and the Gathering Place for their renovation work as did Jim Oldroyd the owner of the Commanders Beach House, who said the Gathering Place is an asset to the neighborhood.

VI. OLD BUSINESS:

A. Jefferson County International Airport Update

Mr. Crockett reviewed that this is an update on the FAA-sponsored project for the new hangar pads and potential non-precision approach. Having met this week with consultant Reid Middleton, Staff believes their quote for engineering services is on track. Staff would also meet with both the FAA and Reid Middleton next week to carefully review which projects would receive FAA funding.

B. County Planning Commission Regarding Jefferson County International Airport

Mr. Pivarnik noted that the Port has been working with the County under the assumption that the Port would only be involved if someone were seeking permits within the airport overlay for the construction of churches, schools, high-density housing or mobile home parks. The Port does not want to impact permits sought by single-family houses on 5- or 10-acre parcels in the overlay. However, at the last Planning Commission meeting, the Commission had moved to apply restrictions to all permits, including single-family housing. He asked the Commission for direction regarding informing the County of its disagreement with this one element of the proposal.

Ms. Winters noted that the Port's application was to exclude Type 1 permits, which includes single-family residents, etc. In previous subcommittee meetings, there had been discussion in which the Port had made it clear that this was not what it was proposing. She said that County Staff would be putting forth a proposal to the BOCC on this one issue, stating that it would not be their view to include Type 1 and added that the Port might also want to clarify this point during the public comment period on Monday at 2:00.

Mr. Crockett agreed that the public perception might be that the Port had changed its mind on residential uses. With the Commission's concurrence, Port Staff agreed to make a verbal statement to the BOCC at Monday's briefing on the Planning Commission recommendation. Ms. Winters agreed to draft a letter to be signed by the Port Commission for the public record for the formal public hearing on December 6.

VII. NEW BUSINESS:

A. Operational Report – Month of October 2004

Mr. Radon reported that guest moorage, while down slightly for October, is still up year to date compared with last year. Day and annual launch ramp pass revenues are close to what was generated a year ago and Staff would be notifying past permit holders of the availability of annual passes. The moorage waiting list has remained static at 205 and the breakdown is fairly consistent among all slip sizes. Haulout and storage operations reflect good, steady increases. Through the end of October, there were 572 hauls (515 last year), plus 132 on the 60-ton (115 last year). So far, the 300-ton is up by roughly 11 boats over last year. Operations has budgeted an aggressive 20% growth in the shipyard for 2005, anticipating the possible receipt of Coast Guard projects. Short-term boatyard storage is ahead with 92 boats versus 77. The total lineal footage is significantly ahead in the boat yard and almost double in the long-term storage yard. Point Hudson operations reflect a good month overall – marina nightly guest activity was up over last October and the RV totals continue to exceed expectations.

B. Identify WPPA Trustee and Alternate

Mr. Crockett reported that it is again time to appoint a Trustee and alternate.

Commissioner Sokol moved to appoint Commissioner Beck as Trustee and Commissioner Pirner as Alternate Trustee representing the Port on the Washington Public Ports Association. The motion carried by a unanimous vote.

VIII. STAFF COMMENTS:

Mr. Radon:

Staff is setting up for Fish Expo, which will run Thursday through Saturday.

Topics of discussion at the recent Port conference with private port operators included boater's liability coverage. When asked about moorage pricing, Mr. Radon said there was not a lot of talk at the conference about moorage pricing, but even Alaska is struggling with their rate structure and aging facilities. Private operators are advocates for a square footage base and there was some discussion at the conference about what should be included in cost recovery models for pricing, such as the breakwater and dredging. Discussion ensued about the significant cost to maintain and replace Port facilities.

Mr. Pivarnik:

The Port website graphics feature the new Shipwrights Co-op building.

Pygmy Kayak is working on an ADA access ramp. The Port is also going to designate two ADA parking spaces in the back parking lot.

The five-acre grassy parcel in Point Hudson has been severely rutted due to construction traffic using the areas as a turnaround.

Mr. Crockett:

Yesterday, he spoke before the local DASH Board, which had asked him to discuss the Point Hudson marina redevelopment and ADA access points. He encouraged these members to stay involved and report back on whether the Port's changes are working.

Port offices will be closed tomorrow for Veteran's Day, a federal holiday.

IX. PUBLIC COMMENT:

Clair Candler:

He observed that the waiting list indicates the condition of supply and demand. He noted his experience with pricing at a marina where they charged two feet over length and two feet over the width.

X. COMMISSIONER COMMENTS:

Commissioner Pirner:

He recommended the Port's website show potential industrial sites and major industrial development (MID) sites at the airport.

He reviewed the grant opportunities the Port might have through the Aquatic Lands and Enhancement Account (ALEA), such as the Rotary trail project and a kayak ramp at Point Hudson. Mr. Crockett agreed that there are many grant possibilities to consider.

Commissioner Sokol:

The last WPPA Legislative Committee meeting assumed that both houses of the new legislature would be Democratic. On the WPPA's high priority list to recommend are that all IAC grant applications be ranked on their merits instead of half of the funding being available to state agencies and half to everyone else and to propose that the Municipal Research and Services Center (MRSC) be available to special districts rather than just cities and counties. On the "opposed" list is the proposal by the Association of General Contractors not to require authorization for any unanticipated additional work required. Other issues are freight mobility and soils legislation.

Commissioner Beck:

He attended a recent seminar on RVs marketing and what to expect and how to stretch usage to get maximum income. A selling point of the Point Hudson facility “experience” is its added value due to access to the water and proximity to nearby retail and cultural attractions. Discussion ensued about building some services into RV rates, such as showers and free wi-fi Internet access.

XI. NEXT MEETING:

Monday, November 29, 2004 at 1:00 PM at the Point Hudson Marina Room, Port Townsend, WA.

XII. EXECUTIVE SESSION:

At 3:30, the Commission recessed into Executive Session for 10 minutes to discuss a legal issue, with no expected decision.

XIII. ADJOURNMENT:

The meeting was adjourned at 3:55 PM, there being no further business to come before the Commission.

ATTEST:

President

Secretary

Vice President